

### 3 Trade and Professional Associations

In the 1800s, real estate transactions were primarily the result of direct negotiation between buyer and seller, sometimes conducted with the aid of lawyers when transactions were more complicated. As specialization developed within the field of real estate and the mobility of people increased, particularly during the western movement, there was a good deal of unorganized and often unscrupulous real estate competition. Real estate practitioners began to feel the need for some controlling organization. This was first attempted in 1891 and 1892 with the organization of the ambitious but short-lived National Real Estate Association. In 1908, the National Association of Real Estate Associations/Boards (NAREB) was formed by the unification of a nationwide complex of local units or Associations/Boards. On January 1, 1974 this organization officially changed its name to the NATIONAL ASSOCIATION OF REALTORS® (N.A.R.). Every business and professional group seeks to attain recognition and acceptance by the public. There is the conviction that if members reach professional status, such as that held by lawyers, doctors, clergymen, engineers, and so forth, the standards of business will rise. Yet experience has shown that even in these recognized professional groups, there must be supervision by the organization itself as well as by some government agency. All members of an Association/Board of REALTORS® commit to adhere to the N.A.R. Code of Ethics. All real estate licensees, whether REALTORS® or not, are under the jurisdiction of the California Department of Real Estate.

#### REAL ESTATE ASSOCIATIONS AND BOARDS

A trade association is a voluntary nonprofit organization of independent and competing business units engaged in the same industry or trade, and formed to resolve the industry's problems, promote its progress and enhance its service.

A real estate association/board is a voluntary organization whose members are engaged in some phase of the real estate business. Real estate licensees who fulfill the membership requirements of a local association of REALTORS® are eligible for REALTOR® or REALTOR-ASSOCIATE® membership. Membership in a local association/board automatically makes one a member in the CALIFORNIA ASSOCIATION OF REALTORS® and the NATIONAL ASSOCIATION OF REALTORS®. Most associations/boards also maintain an "affiliate" classification of membership which is open to financial institutions, trust companies, title companies, escrow companies and others whose duties or interests are related to the real estate business.

The purpose of the CALIFORNIA ASSOCIATION OF REALTORS® is to serve its membership in developing and promoting programs and services that will enhance the members' freedom and ability to conduct their individual businesses successfully with integrity and competency and, through collective action, to promote the preservation of real property rights. The pioneer real estate organizations in California were the San Diego Realty Board organized in 1887 and the San Jose Real Estate Board in 1896. Others followed early in the 1900s. The Berkeley Realty Association/Board was founded in 1902; Los Angeles in 1903; San Francisco in 1905. The California Real Estate Association was formed at Los Angeles in 1905. The name was officially changed to the CALIFORNIA ASSOCIATION OF REALTORS® on January 1, 1975.

The CALIFORNIA ASSOCIATION OF REALTORS® is an organization composed of the members of local associations/boards of REALTORS® throughout the State. In its statement of policy, C.A.R. commits to be responsive to the needs of its members through direct and indirect economic and professional benefits by striving to increase the professionalism, standards and productivity of its members. C.A.R. is dedicated to the protection and preservation of the free enterprise system and the right of the individual to own real property. C.A.R. offers a broad array of valuable products and services to its members. These include: legislative advocacy, legal services, local government relations liaison, standard forms, magazine, economics and research and insurance programs.

### **REALTOR® Defined**

The NATIONAL ASSOCIATION OF REALTORS® unites and unifies the organized real estate interests of the Nation and presents a common cause and program regarding national issues affecting real property. The terms REALTOR®, REALTORS® and REALTOR-ASSOCIATE® as well as the logo “REALTOR®” are collective membership marks owned by NATIONAL ASSOCIATION OF REALTORS®. It is only through membership in the National Association that the right to use the term REALTOR® and its related marks is granted.

A REALTOR® is a person engaged in the real estate business who is a local and state association/board member and therefore a member of the NATIONAL ASSOCIATION OF REALTORS®, is subject to its rules and regulations, observes its standards of conduct, and is entitled to its benefits. REALTOR® members and REALTOR-ASSOCIATE® members are defined in the association's constitution, Article III, Section 1 (C). In California REALTOR® members of local associations/boards are also members of the CALIFORNIA ASSOCIATION OF REALTORS®.

Pursuant to Section 10140.6 of the California Business and Professions Code, a real estate licensee must indicate in real estate advertising that he or she is performing acts for which a license is required. Appropriate designations, such as agent, broker, REALTOR®, and loan correspondent (or abbreviations such as bro., agt.) satisfy the requirement. Licensees entitled to use the term “REALTOR®” must spell out the word in accordance with the N.A.R. trademark guidelines. There are also a few associations/boards in California which are not affiliated with the NATIONAL and the CALIFORNIA ASSOCIATION OF REALTORS®. Only those local associations/boards who are affiliated with N.A.R. may identify themselves as “Associations/Boards of REALTOR®.”

### **Multiple Listing Service**

Most associations/boards operate a multiple listing service (MLS) that serves consumers and brokers as a marketing tool. The purpose of an MLS is to provide a means by which authorized MLS broker participants establish legal relationships with other participants by making a blanket unilateral contractual offer of compensation and cooperation to other broker participants. In part, the MLS accumulates and disseminates information to enable authorized participants to prepare valuations of real property. An MLS is a facility for the orderly correlation and dissemination of listing information among the participants so that they may better serve their clients and the public.

California Civil Code Section 1087 defines an MLS as “...a facility of cooperation of agents and appraisers, operating through an intermediary which does not itself act as an

agent or appraiser, through which agents establish express or implied legal relationships with respect to listed properties, or which may be used by agents and appraisers, pursuant to the rules of the service, to prepare market evaluations and appraisals of real property.” Qualified real estate brokers and certified or licensed appraisers are eligible to be participants in the Multiple Listing Service. A real estate salesperson may obtain access through his/her broker.

An MLS will have local rules and regulations regarding the use of the service, including listing, showing, negotiating, presenting offers and lockbox usage. Most California MLSs use the California Model MLS Rules, approved by C.A.R. Many MLSs are part of a regional MLS or have reciprocal agreements with other MLSs. Some MLSs participate in the statewide reciprocal agreement which allows broader exposure of listings and varying levels of access to other participating MLSs.

### **REALTIST Defined**

The NATIONAL ASSOCIATION OF REAL ESTATE BROKERS, INC. (NAREB) was formed in 1947 in Miami, Florida. NAREB’s membership is comprised primarily of African American real estate brokers. NAREB members are known as REALTISTS. The organization has local boards in major cities of most states.

The CALIFORNIA ASSOCIATION OF REAL ESTATE BROKERS, INC. (CAREB), affiliated with the NATIONAL ASSOCIATION OF REAL ESTATE BROKERS, was organized in 1955 and now has eight board affiliates: Associated Real Property Brokers, Oakland; Sacramento Association of REALTISTS, Sacramento; Consolidated Realty Board, Los Angeles; Solano Board of REALTISTS, Fairfield; Inland Valley Board of REALTISTS, Ontario; San Francisco Board of REALTISTS, San Francisco; North Bay Board of REALTISTS, Richmond; and the San Diego Board of REALTISTS, San Diego.

A REALTIST must be a member of a local board as well as a member of the national organization. REALTISTS, nationally and locally, are working for democracy in housing and better housing for the communities they serve.

The NATIONAL ASSOCIATION OF REAL ESTATE BROKERS, INC. has several affiliated institutes, societies and councils. Membership in NAREB is a prerequisite to obtaining membership in any of these groups. The address of the NATIONAL ASSOCIATION OF REAL ESTATE BROKERS, INC. is: 1629 K Street, N.W., Washington, D.C. 20006. Telephone: 202-785-4477. The address of the CALIFORNIA ASSOCIATION OF REAL ESTATE BROKERS, INC. is: 3725 Don Felipe Dr., Los Angeles, CA 90008.

### **RELATED ASSOCIATIONS**

There are a large number of associated trade and professional bodies which are closely related to the real estate industry, and the average broker will from time to time work with them. These may be divided into two general classes: those related to the construction phase of real estate; and those related to the finance phase. In the former are included the National Association of Home Builders, Building Owners and Managers Association, and the Prefabricated Home Manufacturers Institute. There are, of course, many others.

In the field of real estate finance are associations, such as the American Bankers Association, which have an important impact upon the real estate business through their subsidiary phase of mortgage lending. The U. S. Savings and Loan League, American

Savings and Loan Institute, National Savings and Loan League, National Association of Mutual Savings Banks, and Mortgage Bankers' Association are other examples.

## ETHICS

The word has its origins in the Greek word *ethos* which means moral custom, use and character. Ethics is usually expressed as a set of principles or values - a standard of conduct by which the individual guides his or her own behavior and judges that of others. It refers then to our conduct, socially and in business, and in attitudes toward others. Whenever one person who has the status of being an expert or knowing a great deal more about a particular field than others assumes the duty of directing the business, health, investment, or general well-being of another on a fee basis, there is vested in such person a high degree of confidence and trust. When one takes advantage of this position of trust to the detriment of another party solely for the purpose of one's own gain, we say that this person is unethical.

Professional courtesy and ethics should not stop at those things which have been sanctioned by law. The individual who tries only to stay on the border of the law, inevitably, at some time, steps across. The course of ethical conduct set forth in the Real Estate Law is that which a licensee must observe. We will now consider what all licensees *should* observe.

The NATIONAL ASSOCIATION OF REALTORS® and its constituent boards and state associations form a composite organization of brokers and salespeople whose objects include providing real estate education, research, and exchange of information for those engaged in the recognized branches of the real estate business for the purpose of raising the standards of real estate practice, and preserving the right of property ownership in the interest of the public welfare; to promote and maintain high standards of conduct in the transaction of the real estate business; and to formulate and promulgate a code of ethics for the members of the Association. To this end, the NATIONAL ASSOCIATION OF REALTORS® Code of Ethics was formulated and adopted. It has the approval of a very large body of brokers in this country. It is recommended that it be carefully studied.

In brief, the Code of Ethics entails adhering to the Golden Rule. It is reproduced below.

### **Code of Ethics and Standards of Practice of the NATIONAL ASSOCIATION of REALTORS®**

*Effective January 1, 2000*

Where the word REALTORS® is used in this Code and Preamble, it shall be deemed to include REALTOR-ASSOCIATES®.

While the Code of Ethics establishes obligations that may be higher than those mandated by law, in any instance where the Code of Ethics and the law conflict, the obligations of the law must take precedence.

#### **Preamble...**

Under all is the land. Upon its wise utilization and widely allocated ownership depend the survival and growth of free institutions and of our civilization. REALTORS® should recognize that the interests of the nation and its citizens require the highest and best use of the land and the widest distribution of land ownership. They require the creation of

adequate housing, the building of functioning cities, the development of productive industries and farms, and the preservation of a healthful environment.

Such interests impose obligations beyond those of ordinary commerce. They impose grave social responsibility and a patriotic duty to which REALTOR® should dedicate themselves, and for which they should be diligent in preparing themselves. REALTORS®, therefore, are zealous to maintain and improve the standards of their calling and share with their fellow REALTORS® a common responsibility for its integrity and honor.

In recognition and appreciation of their obligations to clients, customers, the public, and each other, REALTORS® continuously strive to become and remain informed on issues affecting real estate and, as knowledgeable professionals, they willingly share the fruit of their experience and study with others. They identify and take steps, through enforcement of this Code of Ethics and by assisting appropriate regulatory bodies, to eliminate practices which may damage the public or which might discredit or bring dishonor to the real estate profession. REALTORS® having direct personal knowledge of conduct that may violate the Code of Ethics involving misappropriation of client or customer funds or property, willful discrimination, or fraud resulting in substantial economic harm, bring such matters to the attention of the appropriate Board or Association of REALTORS®. (Amended 1/00)

Realizing that cooperation with other real estate professionals promotes the best interests of those who utilize their services, REALTORS® urge exclusive representation of clients; do not attempt to gain any unfair advantage over their competitors; and they refrain from making unsolicited comments about other practitioners. In instances where their opinion is sought, or where REALTORS® believe that comment is necessary, their opinion is offered in an objective, professional manner, uninfluenced by any personal motivation or potential advantage or gain.

The term REALTOR® has come to connote competency, fairness, and high integrity resulting from adherence to a lofty ideal of moral conduct in business relations. No inducement of profit and no instruction from clients ever can justify departure from this ideal.

In the interpretation of this obligation, REALTORS® can take no safer guide than that which has been handed down through the centuries, embodied in the Golden Rule, "Whatsoever ye would that others should do to you, do ye even so to them."

Accepting this standard as their own, REALTORS® pledge to observe its spirit in all of their activities and to conduct their business in accordance with the tenets set forth below.

## **Duties to Clients and Customers**

### **Article 1**

When representing a buyer, seller, landlord, tenant, or other client as an agent, REALTORS® pledge themselves to protect and promote the interests of their client. This obligation of absolute fidelity to the client's interests is primary, but it does not relieve REALTORS® of their obligation to treat all parties honestly. When serving a buyer, seller, landlord, tenant or other party in a non-agency capacity, REALTORS® remain obligated to treat all parties honestly. (Amended 1/93)

- **Standard of Practice 1-1**

REALTORS®, when acting as principals in a real estate transaction, remain obligated by the duties imposed by the Code of Ethics. (Amended 1/93)

- **Standard of Practice 1-2**

The duties the Code of Ethics imposes are applicable whether REALTORS® are acting as agents or in legally recognized non-agency capacities except that any duty imposed exclusively on agents by law or regulation shall not be imposed by this Code of Ethics on REALTORS® acting in non-agency capacities.

As used in this Code of Ethics, "client" means the person(s) or entity(ies) with whom a REALTOR® or a REALTORS®'S firm has an agency or legally recognized non-agency relationship; "customer" means a party to a real estate transaction who receives information, services, or benefits but has no contractual relationship with the REALTORS® or the REALTORS®'S firm; "agent" means a real estate licensee (including brokers and sales associates) acting in an agency relationship as defined by state law or regulation; and "broker" means a real estate licensee (including brokers and sales associates) acting as an agent or in a legally recognized non-agency capacity. (Adopted 1/95, Amended 1/99)

- **Standard of Practice 1-3**

REALTORS®, in attempting to secure a listing, shall not deliberately mislead the owner as to market value.

- **Standard of Practice 1-4**

REALTORS®, when seeking to become a buyer/tenant representative, shall not mislead buyers or tenants as to savings or other benefits that might be realized through use of the REALTORS®'S services. (Amended 1/93)

- **Standard of Practice 1-5**

REALTORS® may represent the seller/landlord and buyer/tenant in the same transaction only after full disclosure to and with informed consent of both parties. (Adopted 1/93)

- **Standard of Practice 1-6**

REALTORS® shall submit offers and counter-offers objectively and as quickly as possible. (Adopted 1/93, Amended 1/95)

- **Standard of Practice 1-7**

When acting as listing brokers, REALTORS® shall continue to submit to the seller/landlord all offers and counter-offers until closing or execution of a lease unless the seller/landlord has waived this obligation in writing. REALTORS® shall not be obligated to continue to market the property after an offer has been accepted by the seller/landlord. REALTORS® shall recommend that sellers/landlords obtain the advice of legal counsel prior to acceptance of a subsequent offer except where the acceptance is contingent on the termination of the pre-existing purchase contract or lease. (Amended 1/93)

- **Standard of Practice 1-8**

REALTORS® acting as agents or brokers of buyers/tenants shall submit to buyers/tenants all offers and counter-offers until acceptance but have no obligation to continue to show properties to their clients after an offer has been accepted unless otherwise agreed in writing. REALTORS® acting as agents or brokers of buyers/tenants shall recommend that buyers/tenants obtain the advice of legal counsel if there is a question as to whether a pre-existing contract has been terminated. (Adopted 1/93, Amended 1/99)

- **Standard of Practice 1-9**

The obligation of REALTORS® to preserve confidential information (as defined by state law) provided by their clients in the course of any agency relationship or non-agency relationship recognized by law continues after termination of agency relationships or any non-agency relationships recognized by law. REALTORS® shall not knowingly, during or following the termination of professional relationships with their clients:

- 1) reveal confidential information of clients; or
- 2) use confidential information of clients to the disadvantage of clients; or
- 3) use confidential information of clients for the REALTORS®'s advantage or the advantage of third parties unless:
  - a) clients consent after full disclosure; or
  - b) REALTORS® are required by court order; or
  - c) it is the intention of a client to commit a crime and the information is necessary to prevent the crime; or
  - d) it is necessary to defend a REALTOR® or the REALTORS®'s employees or associates against an accusation of wrongful conduct. (Adopted 1/93, Amended 1/99)

- **Standard of Practice 1-10**

REALTORS® shall, consistent with the terms and conditions of their real estate licensure and their property management agreement, competently manage the property of clients with due regard for the rights, safety and health of tenants and others lawfully on the premises. (Adopted 1/95, Amended 1/00)

- **Standard of Practice 1-11**

REALTORS® who are employed to maintain or manage a client's property shall exercise due diligence and make reasonable efforts to protect it against reasonably foreseeable contingencies and losses. (Adopted 1/95)

- **Standard of Practice 1-12**

When entering into listing contracts, REALTORS® must advise sellers/landlords of:

- 1) the REALTORS®'s general company policies regarding cooperation with and compensation to subagents, buyer/tenant agents and/or brokers acting in legally recognized non-agency capacities;
- 2) the fact that buyer/tenant agents or brokers, even if compensated by listing brokers, or by sellers/landlords may represent the interests of buyers/tenants; and
- 3) any potential for listing brokers to act as disclosed dual agents, e.g. buyer/tenant agents. (Adopted 1/93, Renumbered 1/98, Amended 1/99)

- **Standard of Practice 1-13**

When entering into buyer/tenant agreements, REALTORS® must advise potential clients of:

- 1) the REALTORS®'s general company policies regarding cooperation and compensation; and
- 2) any potential for the buyer/tenant representative to act as a disclosed dual agent, e.g. listing broker, subagent, landlord's agent, etc. (Adopted 1/93, Renumbered 1/98, Amended 1/99)

## Article 2

REALTORS® shall avoid exaggeration, misrepresentation, or concealment of pertinent facts relating to the property or the transaction. REALTORS® shall not, however, be obligated to discover latent defects in the property, to advise on matters outside the scope of their real estate license, or to disclose facts which are confidential under the scope of agency or non-agency relationships as defined by state law. (Amended 1/00)

- **Standard of Practice 2-1**

REALTORS® shall only be obligated to discover and disclose adverse factors reasonably apparent to someone with expertise in those areas required by their real estate licensing authority. Article 2 does not impose upon the REALTORS® the obligation of expertise in other professional or technical disciplines. (Amended 1/96)

- **Standard of Practice 2-2**

(Renumbered as Standard of Practice 1-12 1/98)

- **Standard of Practice 2-3**

(Renumbered as Standard of Practice 1-13 1/98)

- **Standard of Practice 2-4**

REALTORS® shall not be parties to the naming of a false consideration in any document, unless it be the naming of an obviously nominal consideration

- **Standard of Practice 2-5**

Factors defined as "non-material" by law or regulation or which are expressly referenced in law or regulation as not being subject to disclosure are considered not "pertinent" for purposes of Article 2. (Adopted 1/93)

## Article 3

REALTORS® shall cooperate with other brokers except when cooperation is not in the client's best interest. The obligation to cooperate does not include the obligation to share commissions, fees, or to otherwise compensate another broker. (Amended 1/95)

- **Standard of Practice 3-1**

REALTORS®, acting as exclusive agents or brokers of sellers/landlords, establish the terms and conditions of offers to cooperate. Unless expressly indicated in offers to cooperate, cooperating brokers may not assume that the offer of cooperation includes an offer of compensation. Terms of compensation, if any, shall be ascertained by cooperating brokers before beginning efforts to accept the offer of cooperation. (Amended 1/99)

- **Standard of Practice 3-2**

REALTORS® shall, with respect to offers of compensation to another REALTORS®, timely communicate any change of compensation for cooperative services to the other REALTORS® prior to the time such REALTORS® produces an offer to purchase/lease the property. (Amended 1/94)

- **Standard of Practice 3-3**

Standard of Practice 3-2 does not preclude the listing broker and cooperating broker from entering into an agreement to change cooperative compensation. (Adopted 1/94)



- **Standard of Practice 3-4**

REALTORS®, acting as listing brokers, have an affirmative obligation to disclose the existence of dual or variable rate commission arrangements (i.e., listings where one amount of commission is payable if the listing broker's firm is the procuring cause of sale/lease and a different amount of commission is payable if the sale/lease results through the efforts of the seller/landlord or a cooperating broker). The listing broker shall, as soon as practical, disclose the existence of such arrangements to potential cooperating brokers and shall, in response to inquiries from cooperating brokers, disclose the differential that would result in a cooperative transaction or in a sale/lease that results through the efforts of the seller/landlord. If the cooperating broker is a buyer/tenant representative, the buyer/tenant representative must disclose such information to their client. (Amended 1/94)

- **Standard of Practice 3-5**

It is the obligation of subagents to promptly disclose all pertinent facts to the principal's agent prior to as well as after a purchase or lease agreement is executed. (Amended 1/93)

- **Standard of Practice 3-6**

REALTORS® shall disclose the existence of an accepted offer to any broker seeking cooperation. (Adopted 5/86)

- **Standard of Practice 3-7**

When seeking information from another REALTORS® concerning property under a management or listing agreement, REALTORS® shall disclose their REALTORS® status and whether their interest is personal or on behalf of a client and, if on behalf of a client, their representational status. (Amended 1/95)

- **Standard of Practice 3-8**

REALTORS® shall not misrepresent the availability of access to show or inspect a listed property. (Amended 11/87)

## **Article 4**

REALTORS® shall not acquire an interest in or buy or present offers from themselves, any member of their immediate families, their firms or any member thereof, or any entities in which they have any ownership interest, any real property without making their true position known to the owner or the owner's agent or broker. In selling property they own, or in which they have any interest, REALTORS® shall reveal their ownership or interest in writing to the purchaser or the purchaser's representative. (Amended 1/00)

- **Standard of Practice 4-1**

For the protection of all parties, the disclosures required by Article 4 shall be in writing and provided by REALTORS® prior to the signing of any contract. (Adopted 2/86)

## **Article 5**

REALTORS® shall not undertake to provide professional services concerning a property or its value where they have a present or contemplated interest unless such interest is specifically disclosed to all affected parties.

## Article 6

REALTORS® shall not accept any commission, rebate, or profit on expenditures made for their client, without the client's knowledge and consent.

When recommending real estate products or services (e.g., homeowner's insurance, warranty programs, mortgage financing, title insurance, etc.), REALTORS® shall disclose to the client or customer to whom the recommendation is made any financial benefits or fees, other than real estate referral fees, the REALTORS® or REALTORS®'s firm may receive as a direct result of such recommendation. (Amended 1/99)

- **Standard of Practice 6-1**

REALTORS® shall not recommend or suggest to a client or a customer the use of services of another organization or business entity in which they have a direct interest without disclosing such interest at the time of the recommendation or suggestion. (Amended 5/88)

## Article 7

In a transaction, REALTORS® shall not accept compensation from more than one party, even if permitted by law, without disclosure to all parties and the informed consent of the REALTORS®'s client or clients. (Amended 1/93)

## Article 8

REALTORS® shall keep in a special account in an appropriate financial institution, separated from their own funds, monies coming into their possession in trust for other persons, such as escrows, trust funds, clients' monies, and other like items.

## Article 9

REALTORS®, for the protection of all parties, shall assure whenever possible that agreements shall be in writing, and shall be in clear and understandable language expressing the specific terms, conditions, obligations and commitments of the parties. A copy of each agreement shall be furnished to each party upon their signing or initialing. (Amended 1/95)

- **Standard of Practice 9-1**

For the protection of all parties, REALTORS® shall use reasonable care to ensure that documents pertaining to the purchase, sale, or lease of real estate are kept current through the use of written extensions or amendments. (Amended 1/93)

## Duties to the Public

## Article 10

REALTORS® shall not deny equal professional services to any person for reasons of race, color, religion, sex, handicap, familial status, or national origin. REALTORS® shall not be parties to any plan or agreement to discriminate against a person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin. (Amended 1/90)

REALTORS®, in their real estate employment practices, shall not discriminate against any person or persons on the basis of race, color, religion, sex, handicap, familial status, or national origin. (Amended 1/00)

- **Standard of Practice 10-1**

REALTORS® shall not volunteer information regarding the racial, religious or ethnic composition of any neighborhood and shall not engage in any activity which may result in panic selling. REALTORS® shall not print, display or circulate any statement or advertisement with respect to the selling or renting of a property that indicates any preference, limitations or discrimination based on race, color, religion, sex, handicap, familial status or national origin. (Adopted 1/94)

- **Standard of Practice 10-2**

As use in Article 10 "real estate employment practices" relates to employees and independent contractors providing real-estate related services and the administrative and clerical staff directly supporting those individuals. (Adopted 1/00)

## Article 11

The services which REALTORS® provide to their clients and customers shall conform to the standards of practice and competence which are reasonably expected in the specific real estate disciplines in which they engage; specifically, residential real estate brokerage, real property management, commercial and industrial real estate brokerage, real estate appraisal, real estate counseling, real estate syndication, real estate auction, and international real estate.

REALTORS® shall not undertake to provide specialized professional services concerning a type of property or service that is outside their field of competence unless they engage the assistance of one who is competent on such types of property or service, or unless the facts are fully disclosed to the client. Any persons engaged to provide such assistance shall be so identified to the client and their contribution to the assignment should be set forth. (Amended 1/95)

- **Standard of Practice 11-1**

The obligations of the Code of Ethics shall be supplemented by and construed in a manner consistent with the Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by the Appraisal Standards Board of the Appraisal Foundation.

The obligations of the Code of Ethics shall not be supplemented by the USPAP where an opinion or recommendation of price or pricing is provided in pursuit of a listing, to assist a potential purchaser in formulating a purchase offer, or to provide a broker's price opinion, whether for a fee or not. (Amended 1/96)

- **Standard of Practice 11-2**

The obligations of the Code of Ethics in respect of real estate disciplines other than appraisal shall be interpreted and applied in accordance with the standards of competence and practice which clients and the public reasonably require to protect their rights and interests considering the complexity of the transaction, the availability of expert assistance, and, where the REALTORS® is an agent or subagent, the obligations of a fiduciary. (Adopted 1/95)

- **Standard of Practice 11-3**

When REALTORS® provide consultive services to clients which involve advice or counsel for a fee (not a commission), such advice shall be rendered in an

objective manner and the fee shall not be contingent on the substance of the advice or counsel given. If brokerage or transaction services are to be provided in addition to consultative services, a separate compensation may be paid with prior agreement between the client and REALTORS®. (Adopted 1/96)

## Article 12

REALTORS® shall be careful at all times to present a true picture in their advertising and representations to the public. REALTORS® shall also ensure that their professional status (e.g., broker, appraiser, property manager, etc.) or status as REALTORS® is clearly identifiable in any such advertising. (Amended 1/93)

- **Standard of Practice 12-1**

REALTORS® may use the term "free" and similar terms in their advertising and in other representations provided that all terms governing availability of the offered product or service are clearly disclosed at the same time. (Amended 1/97)

- **Standard of Practice 12-2**

REALTORS® may represent their services as "free" or without cost even if they expect to receive compensation from a source other than their client provided that the potential for the REALTORS® to obtain a benefit from a third party is clearly disclosed at the same time. (Amended 1/97)

- **Standard of Practice 12-3**

The offering of premiums, prizes, merchandise discounts or other inducements to list, sell, purchase, or lease is not, in itself, unethical even if receipt of the benefit is contingent on listing, selling, purchasing, or leasing through the REALTORS® making the offer. However, REALTORS® must exercise care and candor in any such advertising or other public or private representations so that any party interested in receiving or otherwise benefiting from the REALTORS®'s offer will have clear, thorough, advance understanding of all the terms and conditions of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of state law and the ethical obligations established by any applicable Standard of Practice. (Amended 1/95)

- **Standard of Practice 12-4**

REALTORS® shall not offer for sale/lease or advertise property without authority. When acting as listing brokers or as subagents, REALTORS® shall not quote a price different from that agreed upon with the seller/landlord. (Amended 1/93)

- **Standard of Practice 12-5**

REALTORS® shall not advertise nor permit any person employed by or affiliated with them to advertise listed property without disclosing the name of the firm. (Adopted 11/86)

- **Standard of Practice 12-6**

REALTORS®, when advertising unlisted real property for sale/lease in which they have an ownership interest, shall disclose their status as both owners/landlords and as REALTORS® or real estate licensees. (Amended 1/93)

- **Standard of Practice 12-7**

Only REALTORS® who participated in the transaction as the listing broker or cooperating broker (selling broker) may claim to have "sold" the property. Prior to closing, a cooperating broker may post a "sold" sign only with the consent of the listing broker. (Amended 1/96)

## **Article 13**

REALTORS® shall not engage in activities that constitute the unauthorized practice of law and shall recommend that legal counsel be obtained when the interest of any party to the transaction requires it.

## **Article 14**

If charged with unethical practice or asked to present evidence or to cooperate in any other way, in any professional standards proceeding or investigation, REALTORS® shall place all pertinent facts before the proper tribunals of the Member Board or affiliated institute, society, or council in which membership is held and shall take no action to disrupt or obstruct such processes. (Amended 1/99)

- **Standard of Practice 14-1**

REALTORS® shall not be subject to disciplinary proceedings in more than one Board of REALTORS® or affiliated institute, society or council in which they hold membership with respect to alleged violations of the Code of Ethics relating to the same transaction or event. (Amended 1/95)

- **Standard of Practice 14-2**

REALTORS® shall not make any unauthorized disclosure or dissemination of the allegations, findings, or decision developed in connection with an ethics hearing or appeal or in connection with an arbitration hearing or procedural review. (Amended 1/92)

- **Standard of Practice 14-3**

REALTORS® shall not obstruct the Board's investigative or professional standards proceedings by instituting or threatening to institute actions for libel, slander or defamation against any party to a professional standards proceeding or their witnesses based on the filing of an arbitration request, an ethics complaint, or testimony given before any tribunal. (Adopted 11/87, Amended 1/99)

- **Standard of Practice 14-4**

REALTORS® shall not intentionally impede the Board's investigative or disciplinary proceedings by filing multiple ethics complaints based on the same event or transaction. (Adopted 11/88)

## **Duties to REALTORS®**

## **Article 15**

REALTORS® shall not knowingly or recklessly make false or misleading statements about competitors, their businesses, or their business practices. (Amended 1/92)

- **Standard of Practice 15-1**

REALTORS® shall not knowingly or recklessly file false or unfounded ethics complaints. (Adopted 1/00)

## **Article 16**

REALTORS® shall not engage in any practice or take any action inconsistent with the agency or other exclusive relationship recognized by law that other REALTORS® have with clients. (Amended 1/98)

- **Standard of Practice 16-1**

Article 16 is not intended to prohibit aggressive or innovative business practices which are otherwise ethical and does not prohibit disagreements with other REALTORS® involving commission, fees, compensation or other forms of payment or expenses. (Adopted 1/93, Amended 1/95)

- **Standard of Practice 16-2**

Article 16 does not preclude REALTORS® from making general announcements to prospective clients describing their services and the terms of their availability even though some recipients may have entered into agency agreements or other exclusive relationships with another REALTORS®. A general telephone canvass, general mailing or distribution addressed to all prospective clients in a given geographical area or in a given profession, business, club, or organization, or other classification or group is deemed "general" for purposes of this standard. (Amended 1/98)

Article 16 is intended to recognize as unethical two basic types of solicitations:

First, telephone or personal solicitations of property owners who have been identified by a real estate sign, multiple listing compilation, or other information service as having exclusively listed their property with another REALTORS®; and

Second, mail or other forms of written solicitations of prospective clients whose properties are exclusively listed with another REALTORS® when such solicitations are not part of a general mailing but are directed specifically to property owners identified through compilations of current listings, "for sale" or "for rent" signs, or other sources of information required by Article 3 and Multiple Listing Service rules to be made available to other REALTORS® under offers of subagency or cooperation. (Amended 1/93)

- **Standard of Practice 16-3**

Article 16 does not preclude REALTORS® from contacting the client of another broker for the purpose of offering to provide, or entering into a contract to provide, a different type of real estate service unrelated to the type of service currently being provided (e.g., property management as opposed to brokerage). However, information received through a Multiple Listing Service or any other offer of cooperation may not be used to target clients of other REALTORS® to whom such offers to provide services may be made. (Amended 1/93)

- **Standard of Practice 16-4**

REALTORS® shall not solicit a listing which is currently listed exclusively with another broker. However, if the listing broker, when asked by the REALTORS®, refuses to disclose the expiration date and nature of such listing; i.e., an exclusive right to sell, an exclusive agency, open listing, or other form of

contractual agreement between the listing broker and the client, the REALTORS® may contact the owner to secure such information and may discuss the terms upon which the REALTORS® might take a future listing or, alternatively, may take a listing to become effective upon expiration of any existing exclusive listing. (Amended 1/94)

- **Standard of Practice 16-5**

REALTORS® shall not solicit buyer/tenant agreements from buyers/tenants who are subject to exclusive buyer/tenant agreements. However, if asked by a REALTORS®, the broker refuses to disclose the expiration date of the exclusive buyer/tenant agreement, the REALTORS® may contact the buyer/tenant to secure such information and may discuss the terms upon which the REALTORS® might enter into a future buyer/tenant agreement or, alternatively, may enter into a buyer/tenant agreement to become effective upon the expiration of any existing exclusive buyer/tenant agreement. (Adopted 1/94, Amended 1/98)

- **Standard of Practice 16-6**

When REALTORS® are contacted by the client of another REALTORS® regarding the creation of an exclusive relationship to provide the same type of service, and REALTORS® have not directly or indirectly initiated such discussions, they may discuss the terms upon which they might enter into a future agreement or, alternatively, may enter into an agreement which becomes effective upon expiration of any existing exclusive agreement. (Amended 1/98)

- **Standard of Practice 16-7**

The fact that a client has retained a REALTORS® as an agent or in another exclusive relationship in one or more past transactions does not preclude other REALTORS® from seeking such former client's future business. (Amended 1/98)

- **Standard of Practice 16-8**

The fact that an exclusive agreement has been entered into with a REALTORS® shall not preclude or inhibit any other REALTORS® from entering into a similar agreement after the expiration of the prior agreement. (Amended 1/98)

- **Standard of Practice 16-9**

REALTORS®, prior to entering into an agency agreement or other exclusive relationship, have an affirmative obligation to make reasonable efforts to determine whether the client is subject to a current, valid exclusive agreement to provide the same type of real estate service. (Amended 1/98)

- **Standard of Practice 16-10**

REALTORS®, acting as agents of, or in another relationship with, buyers or tenants, shall disclose that relationship to the seller/landlord's agent or broker at first contact and shall provide written confirmation of that disclosure to the seller/landlord's agent or broker not later than execution of a purchase agreement or lease. (Amended 1/98)

- **Standard of Practice 16-11**

On unlisted property, REALTORS® acting as buyer/tenant agents or brokers shall disclose that relationship to the seller/landlord at first contact for that client and shall provide written confirmation of such disclosure to the seller/landlord not later than execution of any purchase or lease agreement.

REALTORS® shall make any request for anticipated compensation from the seller/landlord at first contact. (Amended 1/98)

- **Standard of Practice 16-12**

REALTORS®, acting as agents or brokers of sellers/landlords or as subagents of listing brokers, shall disclose that relationship to buyers/tenants as soon as practicable and shall provide written confirmation of such disclosure to buyers/tenants not later than execution of any purchase or lease agreement. (Amended 1/98)

- **Standard of Practice 16-13**

All dealings concerning property exclusively listed, or with buyer/tenants who are subject to an exclusive agreement shall be carried on with the client's agent or broker, and not with the client, except with the consent of the client's agent or broker or except where such dealings are initiated by the client. (Adopted 1/93, Amended 1/98)

- **Standard of Practice 16-14**

REALTORS® are free to enter into contractual relationships or to negotiate with sellers/landlords, buyers/tenants or others who are not subject to an exclusive agreement but shall not knowingly obligate them to pay more than one commission except with their informed consent. (Amended 1/98)

- **Standard of Practice 16-15**

In cooperative transactions REALTORS® shall compensate cooperating REALTORS® (principal brokers) and shall not compensate nor offer to compensate, directly or indirectly, any of the sales licensees employed by or affiliated with other REALTORS® without the prior express knowledge and consent of the cooperating broker.

- **Standard of Practice 16-16**

REALTORS®, acting as subagents or buyer/tenant agents or brokers, shall not use the terms of an offer to purchase/lease to attempt to modify the listing broker's offer of compensation to subagents or buyer's agents or brokers nor make the submission of an executed offer to purchase/lease contingent on the listing broker's agreement to modify the offer of compensation. (Amended 1/98)

- **Standard of Practice 16-17**

REALTORS® acting as subagents or as buyer/tenant agents or brokers, shall not attempt to extend a listing broker's offer of cooperation and/or compensation to other brokers without the consent of the listing broker. (Amended 1/98)

- **Standard of Practice 16-18**

REALTORS® shall not use information obtained by them from the listing broker, through offers to cooperate received through Multiple Listing Services or other sources authorized by the listing broker, for the purpose of creating a referral prospect to a third broker, or for creating a buyer/tenant prospect unless such use is authorized by the listing broker. (Amended 1/93)

- **Standard of Practice 16-19**

Signs giving notice of property for sale, rent, lease, or exchange shall not be placed on property without consent of the seller/landlord. (Amended 1/93)



- **Standard of Practice 16-20**

REALTORS®, prior to or after terminating their relationship with their current firm, shall not induce clients of their current firm to cancel exclusive contractual agreements between the client and that firm. This does not preclude REALTORS® (principals) from establishing agreements with their associated licensees governing assignability of exclusive agreements. (Adopted 1/98)

## **Article 17**

In the event of contractual disputes or specific non-contractual disputes as defined in Standard of Practice 17-4 between REALTORS® associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall submit the dispute to arbitration in accordance with the regulations of their Board or Boards rather than litigate the matter.

In the event clients of REALTORS® wish to arbitrate contractual disputes arising out of real estate transactions, REALTORS® shall arbitrate those disputes in accordance with the regulations of their Board, provided the clients agree to be bound by the decision. (Amended 1/97)

- **Standard of Practice 17-1**

The filing of litigation and refusal to withdraw from it by REALTORS® in an arbitrable matter constitutes a refusal to arbitrate. (Adopted 2/86)

- **Standard of Practice 17-2**

Article 17 does not require REALTORS® to arbitrate in those circumstances when all parties to the dispute advise the Board in writing that they choose not to arbitrate before the Board. (Amended 1/93)

- **Standard of Practice 17-3**

REALTORS®, when acting solely as principals in a real estate transaction, are not obligated to arbitrate disputes with other REALTORS® absent a specific written agreement to the contrary. (Adopted 1/96)

- **Standard of Practice 17-4**

Specific non-contractual disputes that are subject to arbitration pursuant to Article 17 are:

- 1) Where a listing broker has compensated a cooperating broker and another cooperating broker subsequently claims to be the procuring cause of the sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97)
- 2) Where a buyer or tenant representative is compensated by the seller or landlord, and not by the listing broker, and the listing broker, as a result, reduces the commission owed by the seller or landlord and, subsequent to

such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97)

- 3) Where a buyer or tenant representative is compensated by the buyer or tenant and, as a result, the listing broker reduces the commission owed by the seller or landlord and, subsequent to such actions, another cooperating broker claims to be the procuring cause of sale or lease. In such cases the complainant may name the first cooperating broker as respondent and arbitration may proceed without the listing broker being named as a respondent. Alternatively, if the complaint is brought against the listing broker, the listing broker may name the first cooperating broker as a third-party respondent. In either instance the decision of the hearing panel as to procuring cause shall be conclusive with respect to all current or subsequent claims of the parties for compensation arising out of the underlying cooperative transaction. (Adopted 1/97)
- 4) Where two or more listing brokers claim entitlement to compensation pursuant to open listings with a seller or landlord who agrees to participate in arbitration (or who requests arbitration) and who agrees to be bound by the decision. In cases where one of the listing brokers has been compensated by the seller or landlord, the other listing broker, as complainant, may name the first listing broker as respondent and arbitration may proceed between the brokers. (Adopted 1/97)

**The Code of Ethics was adopted in 1913. Amended at the Annual Convention in 1924, 1928, 1950, 1951, 1952, 1955, 1956, 1961, 1962, 1974, 1982, 1986, 1987, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998 and 1999.**

### **Explanatory Notes**

The reader should be aware of the following policies which have been approved by the Board of Directors of the National Association of REALTORS:

In filing a charge of an alleged violation of the Code of Ethics by a REALTORS®, the charge must read as an alleged violation of one or more Articles of the Code. Standards of Practice may be cited in support of the charge.

The Standards of Practice serve to clarify the ethical obligations imposed by the various Articles and supplement, and do not substitute for, the Case Interpretations in *Interpretations of the Code of Ethics*.

Modifications to existing Standards of Practice and additional new Standards of Practice are approved from time to time. Readers are cautioned to ensure that the most recent publications are utilized.

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**CODE OF ETHICS  
NATIONAL ASSOCIATION  
OF REAL ESTATE BROKERS, INCORPORATED**

**PART I. RELATIONS TO THE PUBLIC**

1. A Realtist is never relieved of the responsibility to observe fully this Code of Ethics.
2. A Realtist should never be instrumental in establishing, reinforcing or extending leased or deed restrictions that limit the use and/or occupancy of real property to any racial, religious or national origin groups.
3. The Realtist realizes that it is his duty to protect the public against any misrepresentations, unethical practices or fraud in his real estate practices, and that he offer all properties on his listing solely on merit and without exaggeration, concealment, deception or misleading information.
4. A Realtist should always avoid offering a property without (a) written authorization of the owner or a person acting in his behalf by power of attorney, (b) fully informing himself of the pertinent facts concerning the property, and (c) advising his client to secure advice of counsel as to the legality of instruments before receiving or conveying title or possession of real property, laws, proposed legislation and public policy relative to the use and/or occupancy of the property.
5. The Realtist should always offer the property at the price the owner has agreed to accept, but never greater.
6. The Realtist should always inform all parties of his own position in the transaction and should not demand or accept a commission from both parties, except with the knowledge and consent in writing and signed by all parties.
7. The Realtist should be diligent in preventing property under his management from being used for immoral or illegal purposes.
8. The Realtist realizes that all contracts and agreements for the ownership, use and/or occupancy of real properties should be in writing and signed by all parties, or their lawfully authorized agents.
9. The Realtist should disclose the fact, if he is purchasing a property to the account of his client and if he has a personal interest in the ownership.

**PROFESSIONAL RELATIONS**

1. The Realtist should always be loyal to his local Board or Real Estate Brokers and active in its work. The fellowship of his associates and the mutual sharing of experiences are always assets to his own business.
2. The Realtist should so conduct his business as to avoid controversies with his fellow realtists. Controversies between Realtists, who are members of the same local Board of Real Estate Brokers, should be submitted in writing for arbitration in accordance with the regulations of his or her Real Estate Board and not in an action at law. The decision in such arbitration should be accepted as final and binding.

3. Controversies between Realtists who are not members of the same local board should be submitted for arbitration to an Arbitration Board consisting of one arbitrator chosen by each Realtist from the Board of Real Estate Brokers to which he belongs and one other member, or a sufficient number of members to make an odd number, selected by the arbitrators thus chosen.
4. All employment arrangements between broker and salesmen should be reduced to writing and signed by both parties. It is particularly important to specify rights of parties, in the event of termination of employment. All listings acquired by a salesperson during his tenure of employment with the Broker, shall be the exclusive property or right of the employing Broker after such termination.
5. A Realtist should never publicly criticize a fellow Realtist; he should never express an opinion of a transaction unless requested to do so by one of the principals and his opinion then should be rendered in accordance with strict professional courtesy and integrity.
6. A Realtist should never seek information about fellow Realtists' transactions to use for the purpose of closing the transaction himself or diverting the client to another property.
7. When a cooperating Realtist accepts a listing from another Broker the agency of the Broker who offers the listing should be respected until it has expired and the property has come to the attention of the coordinating Realtist from a different source, or until the owner, without solicitation, offers to list with the cooperating Realtist; furthermore, such a listing should not be passed on to a third Broker without the consent of the listing Broker.
8. Negotiations concerning property which is listed with one Realtist exclusively should be carried on with the listing Broker, not with the owner.
9. The Realtist is free to negotiate fees in the lease, sale or exchange of Real Estate. Fees should be based on reasonable compensation for services to be rendered to the client. The Realtist should refrain from making any vestige of unfair competition or making fee structures and/or the advertising thereof in such a manner as to be demeaning to the real estate profession.
10. A Realtist should not solicit the services of any employee in the organization of a fellow Realtist without the written consent of the employer.
11. Signs should never be placed on any property by a Realtist without the written consent of the owner.

## **ARTICLE I**

### **Name**

The name of the organization shall be:

National Association of Real Estate Brokers, Incorporated.

## ARTICLE II

### Purposes

The purposes of the National Association shall be:

Section 1. To unite those engaged in the recognized branches of the real estate business, including brokerage, management, mortgage financing, appraising, land development and home building, and allied fields in the United States of America and Canada, for the purpose of exerting effectively a combined influence upon matters affecting real estate interests;

Section 2. To enable its members to transact their business to better advantage than heretofore, by the adoption of such rules and regulations as they may deem proper;

Section 3. To promote and maintain high standards of conduct in the transaction of the real estate business;

Section 4. To formulate and enforce a code of ethics for the members of the National Association of Real Estate Brokers, Incorporated;

Section 5. To license its members the right to use the term or symbol "Realtist" which is hereby defined as designating a person engaged in the real estate business who is a Board Member or Individual Member of the National Association of Real Estate Brokers, Incorporated, is subject to its rules and regulations, observes its standards of conduct, and is entitled to its benefits; and

Section 6. To protect the public against unethical, improper or fraudulent practices by the affixing of the term or symbol "Realtist" to advertising matter, stationery, signboards, stock certificates, bonds, mortgages, and other instruments or other material used by or in connection with the real estate business, and to educate the general public to deal only with those persons who have agreed to observe the standards maintained by the National Association of Real Estate Brokers, Incorporated.

## ARTICLE III

### Membership

Section 1. (a) The members of the National Association of Real Estate Brokers, Incorporated, shall consist of seven (7) classes:

1. Member Boards
  2. Local Board Members
  3. Associate Members
  4. Individual Members
  5. Allied Members
  6. Life Members
  7. Honorary Members
1. Member Boards shall consist of local boards of Real Estate Brokers which shall include city, county, or intercounty boards and state associations of Real Estate Brokers.
  2. Local Board Members shall be persons who are certified by a local board as eligible for membership in the National Association of Real Estate Brokers, Incorporated.

**Relationship of Real Estate Trade Associations/Boards to the Government and Real Estate Law**

While many real estate trade associations/boards have adopted their own codes of ethics and professional conduct and procedures to enforce such codes and conduct, real estate trade associations/boards are private entities and not formally affiliated with or related to the government. In addition, real estate trade associations/boards do not have authority to regulate real estate licensees under real estate licensing laws or otherwise make decisions on civil and criminal law.